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EXECUTIVE COMMITTEE OF THE
HIGH COMMISSIONER'S PROGRAMME

Forty-sixth session

REPORT OF THE BOARD OF AUDITORS TO THE GENERAL ASSEMBLY ON THE ACCOUNTS OF THE VOLUNTARY FUNDS ADMINISTERED BY THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES FOR THE PERIOD ENDED 31 DECEMBER 1994

Addendum 1 - Report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) to the General Assembly at its fiftieth session (extract)*

* This document is an extract from the General Assembly Document A/50/560: Financial Reports and Audited Financial Statements and Reports of the Board of Auditors. Report of the Advisory Committee on Administrative and Budgetary Questions.

GE.95-03649

1. The Advisory Committee on Administrative and Budgetary Questions met with members of the Audit Operations Committee of the Board of Auditors in September 1995 and discussed with them the following financial reports and audited financial statements for the year ended 31 December 1994, submitted by the Board to the General Assembly at its fiftieth session: the voluntary funds administered by the United Nations High Commissioner for Refugees, 1/ and the United Nations Institute for Training and Research (UNITAR). 2/ The Advisory Committee also took the opportunity to consider the report of the Board on the liquidation audit of the United Nations Transitional Authority in Cambodia (UNTAC) (A/49/943).

2. As indicated in paragraph 4 of the report of the Board of Auditors, in addition to the audit of the accounts and financial transactions of the Office of the United Nations High Commissioner for Refugees (UNHCR), the Board carried out reviews under article 12.5 of the Financial Regulations of the United Nations. The reviews covered the extent of management control exercised by UNHCR on its implementing partners with reference to programme management, financial management and inventory control. In addition to reviewing financial and human resources management within UNHCR, the Board also reviewed the efficiency of the UNHCR procurement system, both at headquarters and at field offices.

3. The Advisory Committee is seriously concerned that several of the findings of the Board, especially with regard to programme management as it relates to UNHCR and its implementing partners, were not new and that the Board has had to reiterate these findings as a result of non-compliance with the Board's previous recommendations and lack of follow-up action by UNHCR in its field offices.

4. In its report A/46/510, commenting on the report of the Board of Auditors for the year ended 31 December 1990, 3/ the Advisory Committee had stated that it was very concerned with the Board's findings, particularly with regard to the role of the implementing partners, whether Governments or non-governmental organizations, and believed that the problems raised by the Board needed urgent attention by the Executive Committee of UNHCR. In its recent report on UNHCR activities for 1994-1995 and its budget proposals for 1996, the Advisory Committee took the opportunity to alert the High Commissioner and the Executive Committee to the various shortcomings identified by the Board, especially with regard to the implementing partners of UNHCR. The Advisory Committee trusts that urgent action will be taken to rectify the persistent problems in this area.

5. It is the opinion of the Board, and the Advisory Committee agrees, that at a time when more flexibility and autonomy in budgeting and implementation of programme activities are being given to the field, there should be a corresponding enhanced system of monitoring and reporting introduced and enforced to ensure that necessary controls are exercised. The Board has identified deficiencies in the preparation of project documentation at UNHCR headquarters, non-preparation of work plans prior to commencement of projects and delays in signing of agreements with implementing partners. In this connection, the Advisory Committee agrees with the Board's comment (para. 64) 1/ that it is essential that agreements with implementing partners clearly establish their duties and responsibilities prior to the start of each project and that overlapping agreements with different agencies operating in

the same field and area cause duplication of work and additional expenditure. Examples of situations resulting in unnecessary additional expenditure and liabilities owing to lack of legal agreements have been cited in paragraphs 65 and 66 of the Board's report.

6. Another shortcoming identified by the Board is what seems to be the unnecessary proliferation of implementing partners. As cited in paragraphs 67 and 68 of the Board's report as examples, as many as 11 implementing agencies have been set up by a local administration to manage only four ongoing projects; in another area, there were 7 agencies undertaking the care, maintenance and counselling for 194 refugees, while 1 such agency had only 2 refugees under its care.

7. The Advisory Committee notes from the report of the Board that there were deficiencies in all areas of programme management, for example in planning, selection of implementing partners and in signing timely and precise agreements with them. Control on implementing partners was weak in many respects and as a result there was no proper system of budgeting, accounting and auditing of the expenditure incurred by the implementing partners. The Board also pointed out that in the absence of any guidelines, the overhead costs of the implementing partners was excessively high.

8. These irregularities dealing with lack of control vis-à-vis implementing agencies have been discussed in detail by the Board and can be identified in its report as follows: inaccurate budget estimation and budgetary control (paras. 69-71), non-furnishing of audited accounts and audit certificates (paras. 72 and 73), deficiencies in maintenance of accounts (paras. 74-79), late or incomplete reporting by implementing agencies (paras. 80-84) and high overhead costs of implementing agencies (paras. 85-90).

9. The Advisory Committee recalls that in a number of instances, either relating directly to the issues identified above or to similar issues, the Advisory Committee has made comments and recommendations in its reports in previous years, and most recently in documents A/45/570, A/46/510 and A/47/500. While the Advisory Committee is aware that steps have been taken by UNHCR to rectify the problems identified by the Board, significantly more budgetary and financial control needs to be exercised by field offices on implementing partners.

10. With regard to the high overhead costs charged by implementing agencies, despite steps taken by UNHCR to regulate these (para. 85), the Board noted instances where substantial variations in such costs still prevail (paras. 86-89). In this connection, the Advisory Committee strongly endorses the Board's view that in addition to the action already taken, UNHCR should establish appropriate norms to regulate and monitor the overhead costs of implementing partners. In addition, the Advisory Committee recommends that agreements with implementing partners should specify very clearly UNHCR's responsibilities vis-à-vis those of the implementing partners with respect to funding staff costs, including salary and allowances and separation payments. The Advisory Committee does not believe that such payments,

especially those relating to separation indemnities, should be chargeable to UNHCR; the Advisory Committee requests that the High Commissioner conduct an investigation into the matter and include in her next report to the Advisory Committee information on the relevant findings and appropriate action taken on UNHCR activities.

11. The Advisory Committee recalls that during its consideration of UNHCR's budget estimates for 1996 it was informed that, as a cost-saving measure, in certain cases UNHCR had initiated frame agreements with commercial suppliers that included storage for stockpiling of non-emergency materials. While the Advisory Committee fully endorses UNHCR's initiative regarding the storage aspect of frame agreements, it also agrees with the Board's comments and recommendations for improvement of the system as contained in paragraphs 98 to 100 of the Board's report.

12. With regard to UNHCR training programmes, the Advisory Committee had expressed its views in the context of its report on UNHCR's budget proposals for 1996 that the High Commissioner ensure that training programmes were cost-effective and designed to address specific problems, the solution to which would enhance UNHCR capacity to deliver its mandated activities. The Advisory Committee had been informed that a Training Advisory Board has been established to evaluate and monitor UNHCR training activities. In this connection, the Advisory Committee trusts that the comments and recommendations indicated in paragraphs 125 to 129 of the Board's report, will be given appropriate attention.

13. The Board identified in paragraphs 130 to 132 of its report various irregularities in consultancy services, including unauthorized practices regarding recruitment, length of continuous service, contractual status, lack of evaluation of performance and ex post facto approval of appointments. The Advisory Committee believes that the cases identified by the Board in paragraphs 131 and 132 warrant immediate investigation and rectification and that the existing rules and regulations should be enforced to prevent such recurrences and misuse of consultancy services.

14. The Advisory Committee appreciates the fact that there are instances when UNHCR has to react quickly under uncertain circumstances and in emergency situations. This might necessitate rapid action that might not always conform to the guidelines and existing rules and regulations. The Advisory Committee believes that if the Board's findings lead the administration to conclude that the current rules and regulations are for the most part not enforceable, then proposals to amend them should be submitted to the Advisory Committee rather than have programme managers circumvent or ignore the existing guidelines.

Notes

1/ Official Records of the General Assembly, Fiftieth Session, Supplement No. 5E (A/50/5/Add.5).

2/ Ibid., Supplement No. 5D (A/50/5/Add.4)

3/ Ibid., Forty-sixth Session, Supplement No. 5E (A/46/5/Add.5).